

## § 1703.10

SOURCE: 54 FR 6870, Feb. 15, 1989, unless otherwise noted. Redesignated at 55 FR 39394, Sept. 27, 1990.

### Subpart A [Reserved]

## Subpart B—Rural Economic Development Loan and Grant Program

SOURCE: 57 FR 44317, Sept. 25, 1992, unless otherwise noted.

### § 1703.10 Purpose.

(a) This subpart sets forth RUS's policies and procedures for making zero-interest loans and grants to borrowers in accordance with the cushion of credit payments program authorized in section 313 of the Act (7 U.S.C. 940c).

(b) The zero-interest loans and grants are provided for the purpose of promoting rural economic development and job creation projects.

### § 1703.11 Policy.

(a) It is RUS's policy that borrowers use the Rural Economic Development Loan and Grant Program to promote projects that will result in a sustainable increase in the productivity of economic resources in rural areas and thereby lead to a higher level of income for rural citizens.

(b) It is RUS's policy that borrowers promote economic development in rural areas and job creation projects that:

(1) Are based on sound economic and financial analyses; and

(2) Take a long-term perspective.

(c) It is RUS's policy to direct the funds under this program to projects which are located in, or will primarily benefit, those rural areas that are experiencing the greatest economic hardship.

(d) It is RUS's policy to encourage economic development in rural areas and job creation projects without regard to service area.

(e) It is RUS's policy to encourage borrowers to make cushion of credit payments.

(f) It is RUS's policy to maintain liaisons with officials of other Federal, state, regional and local rural development agencies to coordinate this pro-

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gram with other rural economic development programs.

### § 1703.12 Definitions.

*Act*—the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*).

*Administrator*— the Administrator of the Rural Utilities Service or the Administrator's designee.

*Approved purpose*—a purpose that the Administrator has specifically approved in the letter of agreement covering the use of the RUS zero-interest loan and/or grant funds provided to the borrower.

*Borrower*—an entity that has outstanding RUS and/or Rural Telephone Bank (RTB) loan(s) or loan guarantee(s) for an electric or telephone purpose under the provisions of the Act.

*Business incubator*—a facility in which small businesses can share premises, support staff, computers, software or hardware, telecommunications terminal equipment, machinery, janitorial services, utilities, or other overhead expenses, and where such businesses can receive technical assistance, financial advice, business planning services or other support. The business incubator program, however, does not necessarily have to involve the sharing of premises.

*Cushion of credit payment*—a voluntary unscheduled payment made after October 1, 1987, on an RUS note, which is credited to the cushion of credit account of a borrower.

*Demonstration Project*—a project for which the owner agrees in writing to provide RUS, if requested, with detailed information on the steps it takes in organizing and operating the project, will permit RUS and RUS's guests to make reasonable visits to the project, and honor any other reasonable RUS request to disseminate information on the project. Examples of information include a description of incorporation procedures, types of financing obtained, permits required by governments, amount of time required for various stages of the project, sources of technical assistance from government programs, private foundations or trade organizations, any experiences or lessons that the owner wishes to share with the public and other

information which will assist RUS in promoting similar projects. It will not require the disclosure of trade secrets or proprietary techniques.

*Electric or telephone purpose*—a purpose that:

(1) The Administrator or Governor of the RTB is authorized to finance under sections 2, 4, 5, 201, 305, and 408 of the Act; or

(2) Is characterized as furnishing, generating or transmitting electric energy or other activities involved in providing electricity, or is characterized as providing telephone service. It will include electric and telephone facilities and equipment used in connection with providing such a service. It will not include a relatively insignificant amount of customer premises equipment, as determined by the Administrator.

*Job creation*—creation of jobs in rural areas. This includes the implementation of a project in close enough proximity to rural areas so that it is likely that the majority of the jobs created will be held by rural residents.

*Letter of agreement*—a legal document executed by the Administrator and the borrower that contains certain terms, conditions, requirements and understandings applicable to the zero-interest loan and/or grant, as determined by the Administrator.

*Letter of credit*—a commitment from a financial institution satisfactory to the Administrator to honor a draft drawn on the RUS borrower should the RUS borrower fail to pay on a zero-interest loan.

*Pass-through-grant*—a grant that the borrower makes to another entity that will own or undertake the project using the proceeds of the RUS grant.

*Pass-through-loan*—a loan that the borrower makes to another entity that will own or undertake the project using the proceeds of the RUS zero-interest loan.

*Project*—an undertaking that develops the economy of a rural area or results in job creation. As used in subpart B, the term “project” includes both direct undertakings by borrowers as well as those sponsored by other parties using the proceeds of pass-through-loans or pass-through-grants. It is the component or phase of the undertaking for which the borrower is re-

questing RUS funds, as determined by the Administrator.

*Project feasibility studies*—studies, analyses, designs, reports, manuals, guides, literature, or other forms of creating and/or disseminating information for use in evaluating or developing a proposed project. For example, it would include market research and environmental studies.

*REA* means the Rural Electrification Administration formerly an agency of the United States Department of Agriculture and predecessor agency to RUS with respect to administering certain electric and telephone loan programs.

*Reasonable loan servicing charges*—charges for expenses the borrower incurs to service a loan provided to another entity unaffiliated with the borrower using the proceeds of the RUS zero-interest loan. The charges over the life of the loan for routine loan servicing expenses must not exceed an amount equal to the sum of one percent per year of the outstanding principal on the first day of each year on the borrower's RUS zero-interest loan. The charges for extraordinary expenses associated with collection of delinquent payments or other similar expenses must receive the prior approval of the Administrator.

*Revolving loan program*—a program established and operated by the Borrower, using grant funds, the Borrower's contribution and loan repayments to make loans to businesses or others for rural economic development and job creation purposes.

*RTB*—the Rural Telephone Bank, established as a body corporate and an instrumentality of the United States, to obtain supplemental funds from non-Federal sources and utilize them in making loans, for the purposes of financing, or refinancing, the construction, improvement, expansion, acquisition, and operation of telephone lines, facilities, or systems, for RUS Borrowers financed under sections 201 and 408 of the Act.

*Rural area*—a rural area as defined in section 13 of the Act.

*Rural economic development*—job creation or preservation or community facilities improvement projects that clearly demonstrate significant benefits to rural areas.

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*Rural economic development account*—a federally insured account into which the borrower deposits any advances of zero-interest loan funds from RUS until the borrower disburses the funds.

*RUS* means the Rural Utilities Service, an agency of the United States Department of Agriculture established pursuant to Section 232 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Pub. L. 103-354, 108 Stat. 3178), successor to REA with respect to administering certain electric and telephone programs. See 7 CFR 1700.1.

*Scope of work*—a detailed plan, which has been approved by the Administrator, covering the work to be performed by the loan and/or grant recipient using the loan and/or grant funds.

*Significant stockholder*—an owner or holder of five percent or more of the common stock (or shares) or five percent or more of the preferred stock (or shares) of the RUS borrower.

*Subaccount*—the rural economic development subaccount created by section 313 of the Act.

*Technical assistance*—analysis of facilities or processes, managerial, financial and operational consultation by independent qualified entities to assist project owners to identify and evaluate problems or potential problems and provide training to enable project owners to successfully implement, manage, operate and maintain viable projects.

*Tribal government*—The governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any Native village as defined in 43 U.S.C. 1602) certified by the Secretary of the Interior as eligible for the special programs and services provided through the Bureau of Indian Affairs.

[57 FR 44317, Sept. 25, 1992, as amended at 59 FR 11706, Mar. 14, 1994; 59 FR 53930, Oct. 27, 1994; 59 FR 66440, Dec. 27, 1994]

## § 1703.13 Source of funds.

Funds provided under this program come from interest differential credits to the subaccount and appropriated amounts made available to the subaccount.

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### § 1703.14 Disposition of funds in the subaccount.

Zero-interest loans and grants will be made during each fiscal year to the full extent of the amounts held in the subaccount subject only to limitations imposed by law. For administrative purposes, the Administrator will make a determination of the fiscal year-end amount held in the subaccount as of a date prior to, but as near as practicable to, the end of the fiscal year.

### § 1703.15 [Reserved]

### § 1703.16 Eligibility.

Zero-interest loans and grants may be made to any borrower that is not delinquent on any outstanding Federal debt or in bankruptcy proceedings. However, a zero-interest loan or grant will not be made to a borrower during any period in which the Administrator has determined that no additional financial assistance of any nature should be provided to the borrower pursuant to any provision of the Act. The determination to suspend eligibility for assistance under this subpart will be based on one or more of the following factors:

(a) The borrower's demonstrated unwillingness to exercise diligence in repaying RUS loans or loan guarantees that results in the Administrator being unable to find that a loan, or loan guaranteed by RUS, would be repaid within the time agreed;

(b) The borrower's demonstrated unwillingness to meet requirements in RUS's legal documents or regulations; or

(c) Other actions on the part of the borrower that thwart the achievement of the objectives of the RUS program.

### § 1703.17 Uses of zero-interest loans and grants.

(a) Zero-interest loans and grants must be used exclusively to promote rural economic development and/or job creation projects, including, but not limited to, project feasibility studies, start-up costs, business incubator projects, and other reasonable expenses for the purpose of fostering rural economic development.

(b) The Administrator will give preference to providing funds under this